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THE
QUARTERLY JOURNAL
OF
ECONOMICS

AUGUST, 1908

SUBSTITUTES FOR CASH IN THE PANIC OF 1907.

THE autumn of 1907 witnessed what was probably the most extensive and prolonged breakdown of the country's credit mechanism which has occurred since the establishment of the national banking system. Upon no previous occasion have the banks of so many cities resorted to clearing house loan certificates for the settlement of their mutual obligations; never before have they issued them in such large amounts, nor for such long periods of time; and never have these certificates been so extensively issued in small denominations to meet ordinary bank obligations in lieu of cash. Even during the critical periods of 1873 and 1893 it is unlikely that as many banks limited the payment of their obligations in cash, altho the proportion of existing banks which so restricted payments may have been as large. In the pages that follow will be found some record of these phenomena, of the several ways in which banks and other firms limited their cash payments, of the issue of loan certificates in the clearing-houses of the country, and of the ingenious invention of

multifarious other substitutes for legal currency during the weeks of hoarding and suspension.

Of official encouragement to suspension, singular and striking examples occurred in several states. The most extreme instances were the legal holidays declared by some of the Western governors, which were intended to authorize banks, as well as other firms and individuals, to decline payment when unduly pressed or wherever they saw fit. The governor of Nevada was the first to resort to this measure. Beginning on October 24, he declared legal holidays continuously up to and including November 4. On October 28 the governor of Oregon also began declaring such holidays, and he continued to declare them by subsequent proclamations until December 14. In California such holidays were proclaimed without interruption for a still longer period, from October 31 to December 21, thus suspending all debts for more than seven weeks. This method of relieving business involved great inconvenience in unexpected ways. The whole judicial system was thereby brought to a standstill, the courts being even restrained from trying criminal cases. The governor of California very soon felt obliged to call a special session of the state legislature, and so secured authority to declare "special holidays" during which only civil actions based upon expressed or implied contracts for the payment of money would be precluded.

Scarcely less radical was the action of the officials who supervise banking in several middle western states. In Indiana the Attorney-general, who had been invited to the meeting of the State Bankers' Association at which it was decided to suspend payments, advanced the opinion that no state law was violated in limiting payments on deposits, when demanded, if it was proposed to make a small payment in each case. At the same time the Auditor of the state addressed the following hastily com-

posed letter to all banks and trust companies within his jurisdiction, virtually advising them to suspend and giving assurance that the question of their solvency would not be officially raised:—

INDIANAPOLIS, October 28, 1907.

TO THE INDIANA BANKS AND TRUST COMPANIES:

Gentlemen,—Your bank being solvent, should it adopt the same rule that has been adopted by the banks of Indianapolis and refuse to pay to any depositor or holder of a check only a limited amount of money in cash and settle the balance due by issuing certified checks, or drafts on correspondents, such act, in this emergency, will not be considered an act of insolvency by this department.

The same rule will apply to trust companies.

JOHN C. BILLHEIMER,
Auditor of State.

P.S.—The question of your solvency is to be determined by yourselves upon an examination of your present condition.

Similarly, in South Dakota, the Public Examiner and Superintendent of Banks wrote to the state banks throughout that state, calling their attention to the action of the banks of Sioux Falls and Madison in limiting the size of cash withdrawals to \$10, and in issuing cashier's checks to take the place of currency. He recommended that they do likewise, as indicated in the following excerpt:

I would suggest and recommend that where there is more than one bank in a town, they get together and agree along similar lines, for the protection of themselves as well as the public, and where there is only one bank, that such bank take the matter up single-handed or confer with banks in the towns nearby.

I would also suggest that you get the business men of your town together and explain to them the situation and the proposed plan, and in this way secure their approval and support.

This method will of course be trying and unpleasant as well as inconvenient not only to the banks but to their depositors, but when the people understand they will gladly co-operate for the

mutual good. Conditions will improve rapidly and the situation will soon become normal.

Respectfully,

JOHN L. JONES,
Public Examiner.

So, too, in Iowa, the Auditor, B. F. Carroll, at the outbreak of the panic, wrote a circular letter of similar import to the bankers of that state containing this advice:—

I therefore suggest that you call your board of directors together at once; canvass the situation; take such precautionary steps as may be necessary in order to protect your interests and the interests of your depositors. The department will temporarily permit such latitude as to reserve and other legal restrictions as circumstances may demand. You should take the depositors into the confidence of the bank; fully explain to them the situation and ask them to co-operate to the extent of accepting checks, drafts and other forms of credit where the same can be used current and to withdraw just as small amounts of cash as is possible for them to use in the transactions of their business. It may be necessary for your bank to limit the amount of cash payments to depositors.

In Oklahoma, at a meeting of the State Bankers' Association, "the Bank Commissioner when asked to make a statement regarding the plan upon which the bankers had agreed, and which in brief, was to make only limited cash payments, stated that while he could not officially agree to the plan, that no banks would be closed because they followed the plan."

In the majority of states, however, it is only just to say that the bank commissioners and superintendents, tho tacitly tolerating the restriction of payments, very much as did the federal Comptroller of the Currency in the case of the national banks, nevertheless gave no explicit assent, much less recommendation to the practise.

The record presented in the accompanying table endeavors to exhibit as concisely as possible the extent to

which the banks in the larger cities of the country limited their payments of cash and created substitutes therefor during the panic. It is the result of inquiries addressed to banks in all cities of 25,000 or more inhabitants. According to the Census of 1900 there were approximately 147 such cities which were independent of each other. We exclude by the use of the word "independent" those cities which are really suburbs or parts of larger neighboring cities, and which directly or indirectly "bank" through their institutions. In the neighborhood of Boston, for instance, we exclude from separate reckoning such separate municipalities as Cambridge, Malden, Newton, Somerville, and Chelsea, the banks of which practically "clear" through the Boston clearing house, and consequently follow its policy. In the case of New York we omit environing and related cities like Hoboken, Jersey City, Newark, Passaic, and Elizabeth; in the case of Pittsburg, Allegheny City; in the case of St. Louis, East St. Louis; in the case of Omaha, South Omaha, etc. No sharp line can be drawn, however, between the "independent" and the "affiliated" cities, and several of the inclusions as well as some of the exclusions will doubtless appear arbitrary.

Reports from the 145¹ largest independent cities show that during the disturbances of 1907, in at least 71, or nearly half, resort was made by the banks to clearing-house loan certificates, clearing-house checks, cashiers' checks payable only through the clearing house, or other substitutes for legal money; in 20 others the larger customers of the banks were asked to mark their checks "payable only through the clearing house"; and in at least one other, where these practices were not pursued, the size of checks that would be cashed was restricted. Roughly speaking, in two-thirds of the cities of more

¹ From two cities of more than 25,000 inhabitants, Pueblo, Col., and Lawrence, Mass., repeated letters of inquiry have elicited no response.

than 25,000 inhabitants the banks suspended cash payments to a greater or less degree.

From the last column of Table I. it will be seen that in 36 of the larger cities, where an emergency currency was issued, the banks for a time limited by agreement the cash which any customer could withdraw to a stipulated amount. This limitation varied all the way from \$10 to \$300. In the other cases, marked "discretionary," customers were asked, and generally obliged, to limit their withdrawals of cash, and were asked to stamp their checks "payable only through the clearing house," but no mathematical limit was placed upon the amount that could be withdrawn.

In addition to the places named in the table the banks of the following cities of 25,000 or more inhabitants also restricted payments to the extent of asking their larger customers to mark their checks "payable only through the clearing house":—

Allentown, Pa.	Mobile, Ala.
Bay City, Mich.	New Haven, Conn.
¹ Binghamton, N.Y.	Oshkosh, Wis.
Dayton, Ohio (one trust company).	Pawtucket, R.I.
Erie, Pa.	Reading, Pa.
¹ Evansville, Ind.	Saginaw, Mich.
¹ Fall River, Mass.	Springfield, Mass.
Gloucester, Mass.	¹ Syracuse, N.Y.
Hartford, Conn.	Woonsocket, R.I.
McKeesport, Pa.	York, Pa.

In at least one other city, Grand Rapids, Michigan, where neither clearing-house currency nor other emergency substitutes was issued, and where depositors were not asked to so mark their checks, the size of checks which would be cashed was nevertheless limited.

The cities rated by the Census of 1900 as having more than 25,000 inhabitants, in which, if the replies of my

¹ In these cities, customers sending checks out of town were asked to make their checks payable only through the clearing house in order to prevent their collection by express.

TABLE I.

CASH RESTRICTIONS AND CURRENCY SUBSTITUTES IN CITIES OF MORE THAN 25,000 INHABITANTS.

<i>City.</i>	<i>Kind of Device.</i>	<i>Total Amount issued.</i>	<i>Date of First Issue.</i>	<i>Date of Retirement.</i>	<i>Largest Amount outstanding.</i>	<i>Date of Same.</i>	<i>Restrictions upon Cash Withdrawals.</i>
Atlanta, Ga.	B	\$1,500,000	Oct. 31, '07	Jan. 16, '08	\$996,409	Dec. 5, '07	\$50 per day, \$100 per week
Augusta, Ga.	B	320,000	Nov. 4, '07	Jan. 15, '08	320,000	Jan. 15, '08	\$50 per day, \$100 per week.
Baltimore, Md.	B	3,094,000	Oct. 28, '07	Feb. 6, '08	2,786,000	Dec. 16, '07	Discretionary.
Bayonne, N.J.	D	Amount not obtainable.	—	—	—	—	Discretionary.
Birmingham, Ala.	{ A	300,000	Oct. 28, '07	Nov. 20, '07	—	—	{ \$25 per day, later \$25 per
	{ D	550,000	Nov. 20, '07	—	—	—	{ week.
	{ E	1,000,000	Ave. amt. outstanding	Nov. and Dec.	circ. 1,000,000	—	Discretionary.
Boston, Mass.	A	12,595,000	Oct. 28, '07	Jan. 24, '08	12,595,000	Dec. 3-10, '07	Discretionary.
Buffalo, N.Y.	A	915,000	Nov. 1, '07	Jan. 25, '08	550,000	Nov. 16, '07	Scale proportionate to deposi-
Canton, Ohio	D	810,000	Nov. 10, '07	—	—	—	tor's balance.
Cedar Rapids, Ia.	A	154,000	Nov. 6, '07	Jan. 17, '08	154,000	—	\$25 per day.
Charleston, S.C.	B	100,000	Nov. 15, '07	Mar. 1, '08	70,000	Nov. 15, '07	Discretionary.
Chicago, Ill.	{ A	32,160,000	Oct. 28, '07	Jan. 27, '08	16,140,000	Nov. 29, '07	Discretionary.
	{ C	7,080,000	—	—	7,080,000	—	Discretionary.
Cincinnati, Ohio	D	2,200,000	Nov. 5, '07	Feb. 7, '08	2,200,000	Nov. 5, '07	\$300 with discretion.
Cleveland, Ohio	C	3,220,000	Dec. 3, '07	Jan. 29, '08	3,220,000	Jan. 16, '08	\$50 with discretion.
Columbus, Ohio	A	1,220,500	Oct. 28, '07	Feb. 1, '08	803,500	Dec. 17, '07	Discretionary.
Council Bluffs, Ia.	{ A	75,000	Nov. 10, '07	Dec. 1, '07	—	—	\$10 per customer.
	{ D	15,000	—	—	—	—	—
Dallas, Tex.	A	90,000	Nov. 15, '07	Feb. 29, '08	90,000	Nov. 25, '07	\$25 per customer.
Davenport, Ia.	{ A	201,199	Oct. 29, '07	Jan. 10, '08	—	—	Discretionary.
	{ C	758,248	Nov. 5, '07	Jan. 18, '08	500,000	—	\$25 per day.
Denver, Col.	D	7,500,000	Nov. 5, '07	Feb. 8, '08	503,000	Nov. 21, '08	Discretionary.
Des Moines, Ia.	{ A	880,000	Oct. 28, '07	Jan. 28, '08	119,700	—	Discretionary.
	{ B	172,000	—	—	2,030,000	Nov. 26, '08	Discretionary.
Detroit, Mich.	A	2,145,000	Oct. 30, '07	Jan. 4, '08	—	Dec. 20, '07	Discretionary.
Duluth, Minn.	{ D	117,000	Oct. 25, '07	Jan. 10, '08	117,000	—	Discretionary.
	{ G	Amount not obtainable.	—	—	—	—	Interest-bearing accounts re-
Easton, Pa.	{ A, B	136,375	Nov. 20, '07	Jan. 24, '08	—	—	stricted.
Fort Wayne, Ind.	A	345,000	Oct. 31, '07	Jan. 30, '08	335,000	Dec. 28, '07	Discretionary.
	(Plates prepared in small denominations, but not issued.)	—	—	—	—	—	\$25 per day.
Harrisburg, Pa.	B	357,000	Nov. 12, '07	Feb. 1, '08	—	—	\$100 per day.
Houston, Tex.	D	Amount obtainable.	—	—	835,000	Nov. 19, '07	Discretionary.
Indianapolis, Ind.	A	1,950,000	Nov. 4, '07	Jan. 17, '08	—	—	Discretionary.
Joliet, Ill.	D	225,000	Nov. 10, '07	Jan. 7, '08	—	—	Savings accounts \$20.
Joplin, Mo.	B	773,400	Nov. 6, '07	Feb. 7, '08	—	—	Operating accounts \$100.
Kansas City, Mo.	{ A	7,256,601	Oct. 30, '07	Jan. 10, '08	5,956,601	Dec. 4-6, '07	Discretionary.
	{ B	745,000	—	—	—	—	Discretionary.
Knoxville, Tenn.	B	282,500	Nov. 7, '07	Jan. 14, '08	183,000	Nov. 23, '07	No restriction.
Lexington, Ky.	A	20,000	Nov. 13, '07	Feb. 7, '08	20,000	Nov. 27, '07	—

Lincoln, Neb.	[A	198,000	Nov. 1, '07	Dec. 16, '07	136,000	Nov. 6, '07	\$100 on accounts over \$1,000.
	[D	Amount not obtainable.			—	—	\$50 on accounts under \$1,000.
Little Rock, Ark.	A	183,000	Oct. 31, '07	Feb. 8, '08	148,600	Nov. 26, '07	\$50 per customer.
Los Angeles, Cal.	[A	2,022,000	Oct. 30, '07	Feb. 15, '08	—	—	\$100 to \$200.
	[B	3,563,500	Nov. 25, '07	Apr. 1, '08	—	—	Discretionary.
Louisville, Ky.	A	2,490,000	Oct. 30, '07	Jan. 28, '08	940,000	—	\$100 per day, later per week.
Lynn, Mass.	D	Amount not obtainable.		—	—	—	\$50 to \$100 per day.
Memphis, Tenn.	D	300,000	Oct. 28, '07	Feb. 18, '08]	3,548,000	—	
Milwaukee, Wis.	[C	1,948,000					
	[A	1,600,000	Nov. 1, '07	Jan. 14, '08	1,060,000	Nov. 10, '07	\$200 with discretion.
Minneapolis, Minn.	A	1,730,000	Amount not obtainable.	Denominations as low as 25 cents.			\$25 per day.
Montgomery, Ala.	B	417,000	Nov. 5, '07	Jan. 30, '08	417,000	Dec. 1, '07	\$50 per day.
Nashville, Tenn.	B	5,226,000	Oct. 29, '07	Mar. 27, '08	3,287,000	—	\$50 per day.
New Orleans, La.	[D	Amount not obtainable.			—		Discretionary.
	[A	101,060,000	Oct. 26, '07	Mar. 30, '08	88,420,000	Dec. 16, '07	
New York, N.Y.	[A	Amount not obtainable.			—		Discretionary.
	[G	1,250,000	Nov. 8, '07	Jan. 21, '08	590,000	—	\$100 or 20% of accounts under \$500.
Oakland, Cal.	D	2,007,000	Oct. 29, '07	Jan. 10, '08	1,544,000	—	\$200 per customer.
Omaha, Neb.	[A	Amount not obtainable.			—		Discretionary.
Peoria, Ill.	B	227,000	Nov. 1, '07	Jan. 1, '08	—	Dec. 16, '07	
	[A	13,695,000	Oct. 26, '07	Feb. 8, '08	13,495,000		Discretionary.
Philadelphia, Pa.	[G	Amount not obtainable.			—		
	[A	7,445,000	—	—	7,445,000	Dec. 14, '07	
Pittsburg, Pa.	[G	47,000,000	Oct. 30, '07	Jan. 15, '08]	—		\$300 per customer.
	[A	1,000,000	Nov. 6, '07	Feb. 1, '08]	2,200,000	Dec. 1, '07	
Portland, Ore.	[B	1,422,750	—	—	—	—	Discretionary.
Providence, R.I.	D	Amount not obtainable.			—	—	\$25 per day.
Racine, Wis.	D	10,000	Oct. 29, '07	Jan. 14, '08	—	—	Discretionary.
Sacramento, Cal.	B	250,000	Oct. 29, '07	Jan. 14, '08	—	—	

St. Joseph, Mo.	[A B	513,000 180,000	Oct. 28, '07 Dec. 12, '07	Jan. 23, '08 Jan. 20, '08	300,000 100,000	Nov. 9, '07 Dec. 19, '07	\$200 per week. Discretionary.
St. Louis, Mo.	[A D	15,965,000 circ. 5,000,000	Oct. 28, '07	Feb. 5, '08	10,578,000	Jan. 3, '08	
St. Paul, Minn.	A	1,900,000	Oct. 30, '07	Jan. 14, '08	1,525,000	Oct. 30-Dec. 2, '07	\$200 per customer.
Salt Lake City, Utah . . .	[A B	802,000 453,650	Oct. 30, '07	Feb. 17, '08	802,000		\$200 per week.
San Antonio, Tex.	[A D	344,000 251,500	Nov. 1, '07	Jan. 15, '08	circ. 321,000	Dec. 1, '07	\$50 per day.
San Francisco, Cal.	[A B	12,339,000 7,380,000	Oct. 29, '07 Nov. 4, '07	Mar. 1, '08	172,963 12,339,000	Nov. 20, '07 Dec. 24, '07	Discretionary.
Savannah, Ga.	B	265,000	Nov. 4, '07	Jan. 10, '08	7,390,000	Dec. 16, '07	\$100 per customer.
Seattle, Wash.	[A B	1,700,000 1,150,000	Nov. 8, '07 Oct. 28, '07	Jan. 13, '08 Jan. 13, '08	265,000	Nov. 15, '07	\$100 with discretion.
Sioux City, Ia.	[A D	245,000	Amount not obtainable.		245,000	Nov. 20, '07	
South Bend, Ind.	B	120,000	Nov. 10, '07	Jan. 10, '08	120,000		Only savings accounts.
Spokane, Wash.	[A B	669,000 1,407,000	Nov. 1, '07	Jan. 7, '08	2,076,000	Nov. 1, '07	\$25 to Dec. 10, then \$50.
Superior, Wis.	D	Amount not obtainable.					
Tacoma, Wash.	A, B	500,000	Nov. 7, '07	Jan. 1, '08	490,000	Nov. 22-Dec. 11	\$100 per customer.
Taunton, Mass.	D	Amount not obtainable.					\$100 per customer.
Topeka, Kan.	B	40,000	Nov. 14, '07	Dec. 31, '08	22,500		\$100 per customer.
Wheeling, W. Va.	A	195,000	Nov. 8, '07	Jan. 3, '08	45,000	Nov. 29, '07	Discretionary.
Wichita, Kan.	[A B	173,000 43,000	Nov. 8, '07	Jan. 21, '08	211,000	Nov. 28, '07	\$50 per customer.
Wilmington, Del.	D	Amount not obtainable.					Discretionary.
Youngstown, Ohio	[A B	264,500 276,500	Nov. 20, '07	Jan. 23, '08	538,000	Dec. 12, '07	Only savings accounts, \$25.
Total		\$330,066,223					

- A. Clearing-house loan certificates in large denominations for the settlement of bank balances.
 B. Clearing-house checks in convenient denominations for general circulation.
 C. Clearing-house checks in convenient denominations payable only through the clearing house, and usually secured by the deposit of collateral with the clearing house.
 D. Cashiers' checks in convenient denominations payable to bearer, and only through the clearing house.
 E. New York exchange in convenient denominations for general circulation.
 F. Certificates of deposit in convenient denominations.
 G. Pay-checks in convenient denominations payable to bearer, and only through the clearing house.

correspondents are to be trusted, depositors were subjected to no restriction of payments, and no resort was made to emergency devices, numbered 53. In some of these, to be sure, as, for instance, Chattanooga, Tenn., Richmond, Va., and Galveston, Tex., cash payments were limited to the extent that clearing-house balances were settled during the panic in exchange on a reserve city instead of in currency, but this practice is frequently followed even in quite normal times. The list of cities which, with this possible exception, remained upon a cash basis follows:—

<i>City.</i>	<i>Population (Census of 1900).</i>	<i>City.</i>	<i>Population (Census of 1900).</i>
Akron, Ohio	42,000	New Britain, Conn.	25,000
Albany, N.Y. . . .	94,000	Newcastle, Pa. . . .	28,000
Altoona, Pa. . . .	38,000	Newport, Ky. . . .	28,000
Atlantic City, N.J.	27,000	Norfolk, Va. . . .	46,000
Auburn, N.Y. . . .	30,000	Paterson, N.J. . . .	105,000
Brockton, Mass. . . .	40,000	Portland, Me. . . .	50,000
Bridgeport, Conn. . .	70,000	Quincy, Ill. . . .	36,000
Butte, Mont. . . .	30,000	Richmond, Va. . . .	85,000
Camden, N.J. . . .	75,000	Rochester, N.Y. . . .	162,000
Chattanooga, Tenn. .	30,000	Rockford, Ill. . . .	31,000
Chester, Pa. . . .	33,000	Salem, Mass. . . .	35,000
Covington, Ky. . . .	42,000	Schenectady, N.Y. . .	31,000
Dubuque, Ia. . . .	36,000	Scranton, Pa. . . .	102,000
Elmira, N.Y. . . .	35,000	Springfield, Ill. . . .	34,000
Fitchburg, Mass. . . .	31,000	Springfield, Ohio . . .	38,000
Fort Worth, Tex. . . .	26,000	Terre Haute, Ind. . . .	36,000
Galveston, Tex. . . .	37,789	Toledo, Ohio	131,000
Haverhill, Mass. . . .	37,000	Trenton, N.J. . . .	73,000
Holyoke, Mass. . . .	45,000	Troy, N.Y. . . .	60,000
Jackson, Mich. . . .	25,000	Utica, N.Y. . . .	56,000
Jacksonville, Fla. . . .	28,000	Washington, D.C. . . .	278,000
Johnstown, Pa. . . .	35,000	Waterbury, Conn. . . .	45,000
Lacrosse, Wis. . . .	28,000	Wilkesbarre, Pa. . . .	51,000
Lancaster, Pa. . . .	41,000	Williamsport, Pa. . . .	28,000
Lowell, Mass. . . .	94,000	Worcester, Mass. . . .	118,000
Manchester, N.H. . . .	56,000	Yonkers, N.Y. . . .	47,000
New Bedford, Mass. . .	62,000		

The roll of honor among the cities, if one were to arrange them in the order of their magnitude, would begin

as follows: Washington, Rochester, Toledo, Worcester, Paterson, Scranton. It includes eight cities in Massachusetts, eight in New York, and eight in Pennsylvania, four in New Jersey, three in Ohio, three in Connecticut, three in Illinois, two in Kentucky, two in Virginia, two in Texas, and one each in Florida, Indiana, Iowa, Maine, Michigan, Montana, New Hampshire, Tennessee, Wisconsin, and the District of Columbia. In the remaining 26 states there was apparently no city with a population of 25,000 in which the banks did not partially restrict their payments during the panic.

The universality with which the panic of 1907 ranged over the United States is also well attested by the fact that there are only six states from which I have no record of restriction of payments and issue of substitutes for cash on the part of the banks; namely, Maine, Vermont, South Dakota, Montana, Idaho, and Wyoming. Several of these states, it may be added, contained no city of 25,000 inhabitants, and from them no information was received at all. Their banks may also have limited payments and issued emergency currency without its appearing in the record here presented.

Financial excitement in 1907 was by no means confined to the larger cities. Limitation of payments and the creation of emergency currency occurred in towns of every degree of smallness all over the country. Our record (Table II.) of such issues is of necessity fragmentary. Names of a number of towns are included where emergency currency was known to have been issued, but from which repeated letters of inquiry failed to elicit any reply as to the amount. Unquestionably, the names of scores of towns in which such currency was employed have not chanced to reach the writer's attention. The table here given presents an explicitly avowed issue of nearly 4½

millions in the case of 33 towns and cities; but it doubtless includes only a small fraction of what actually existed in the smaller localities of the country during the panic.

TABLE II.
CURRENCY SUBSTITUTES IN CITIES OF LESS THAN 25,000 INHABITANTS.

<i>Cities.</i>	<i>Kind of Device.</i>	<i>Total Amount issued.</i>	<i>Date of First Issue.</i>	<i>Date of Retirement.</i>
Atchison, Kan.	D	40,000	Nov. 1, '07	Jan. 1, '08
Bainbridge, Ga.	B	125,000	Nov. 6, '07	Mar. 1, '08
Berlin, N.H.	D	Amount not obtainable.		
Berkeley, Cal.	F	34,000	Nov. 5, '07	Jan. 10, '08
Bishop, Ga.	B	Amount not obtainable.		
Blakely, Ga.	B	Amount not obtainable.		
Brunswick, Ga.	B	109,000	Nov. 6, '07	Mar. 28, '08
Columbia, S.C.	B	250,000	Oct. 24, '07	Mar. 1, '08
Columbus, Ga.	B	320,000	Nov. 1, '07	Jan. 22, '08
Danville, Va.	B	617,200	Oct. 30, '07	Jan. 9, '08
Dawson, Ga.	B	45,000		
Douglas, Ga.	B	50,000	Nov. 1, '07	Mar. 1, '08
Fargo, N.D.	B	33,500	Oct. 29, '07	Jan. 18, '08
Gadsden, Ala.	B	8,000	Nov. 15, '07	Jan. 1, '08
Gaffney, S.C.	B	20,000	Nov. 11, '07	Jan. 1, '08
Greensboro, N.C.	B	39,100	Nov. 4, '07	Jan. 25, '08
Greenwood, S.C.	B	Amount not obtainable.		
Guthrie, Okla.	F	Amount not obtainable.		
Hastings, Neb.	{ B F	7,713 Amount not obtainable.	Oct. 28, '07	Dec. 20, '07
Hattiesburg, Miss.	D	40,000	Oct. 1, '07	Dec. 15, '07
Henderson, Ky.	C	82,000	Oct. 30, '07	Jan. 9, '08
Iron River, Mich.	D	24,000	Nov. 12, '07	Dec. 24, '07
Jackson, Ga.	B	Amount not obtainable.		
Key West, Fla.	B	Amount not obtainable.		
Kalamazoo, Mich.		Customers asked to make checks payable in exchange.		
Las Vegas, N.M.	B	30,000	Nov. 1, '07	Dec. 31, '07
Lynchburg, Va.	B	381,000	Nov. 18, '07	Jan. 13, '08
Macon, Ga.	B	325,000	Nov. 4, '07	Jan. 31, '08
Milledgeville, Ga.	B	Amount not obtainable.		
Muskogee, Okla.	D	Amount not obtainable.		
Newnan, Ga.	B	Amount not obtainable.		
New Carlisle, Ind.	D	Amount not obtainable.		
Oklahoma, Okla.	A, B	200,000	Nov. 1, '07	Jan. 1, '08
Ogden, Utah	D	circ. 275,000	Nov. 1, '07	Dec. 31, '07
Rome, Ga.	B	120,000	Nov. 1, '07	Jan. 10, '08
Sedalia, Mo.	D	100,000	Nov. 15, '07	Jan. 15, '08
South Boston, Va.	B	100,000	Nov. 5, '07	
Sylvester, Ga.	B	Amount not obtainable.		
Tampa, Fla.	B	125,000	Nov. 22, '07	Feb. 1, '08
Thomaston, Ga.	B	10,000	Oct. 28, '07	May 1, '08
Thomasville, Ga.	B	40,000	Nov. 1, '07	Jan. 1, '08
Tifton, Ga.	B	50,000	Nov. 6, '07	Feb. 15, '08
Valdosta, Ga.	B	100,000	Nov. 1, '07	Feb. 1, '08 circ.
Vicksburg, Miss.	B	170,000	Nov. 23, '07	Apr. 25, '08
Virginia, Minn.	D	200,000	Nov. 10, '07	Dec. 20, '07
Waycross, Ga.	B	Amount not obtainable.		
Willacoochee, Ga.	B	Amount not obtainable.		
Winston-Salem, N.C.	F	350,000	Nov. 1, '07	Jan. 1, '08 circ.
Total		4,420,513		

A. Clearing-house loan certificates in large denominations for the settlement of bank balances.

B. Clearing-house loan certificates in small denominations for general circulation.

C. Clearing-house checks in convenient denominations for general circulation.

D. Cashiers' checks in convenient denominations payable only through the clearing house, and usually secured by the deposit of collateral with the clearing house.

F. Certificates of deposit in convenient denominations.

An attempt has been made in the second column of Tables I. and II. to classify the various kinds of substitutes for cash, and to indicate which kind was employed in each city. Seven different sorts have been distinguished, but some of them closely resemble each other, and the multiple variations among individual devices renders such a grouping at times uncertain.

(A) The familiar expedient of issuing clearing-house loan certificates in denominations ranging from \$500 to \$20,000 for use in settling interbank balances has never been resorted to upon such a scale as in 1907. During the panic of 1893 eight cities were reported to have employed them; but during the disturbances of 1907 they were used by no less than 42. In 1893 their issue was confined mainly to the North-east, New Orleans being the only southern, and Detroit the most western example,¹ but in 1907 their use knew no geographic limitations. They were issued in several cities of California, Washington, and Oregon, in cities of Texas, Alabama, Louisiana, and Arkansas, and in almost every sizable city of the Middle West, the most salient exceptions being Cleveland and Cincinnati, in which, however, the banks by agreement made no demand upon each other for currency in payment of balances during the panic.

A comparison of the amounts issued in the same cities in the course of the two emergencies is of significance. In New York City the issues of 1907 totalled a sum two and a half times the largest issues that had ever been made before; in Pittsburg they amounted to more than seven times those of the earlier date; in New Orleans, to five times; Detroit, to four times; in Baltimore, to twice the issues of 1893; but in Boston, Philadelphia, and Buffalo the amounts ran about the same in both crises.

¹ See John De Witt Warner, *The Currency Famine of 1893*, in *Sound Currency*, vol. ii. No. 6; A. D. Noyes, *The Banks and the Panic of 1893*, *Political Science Quarterly*, vol. 9.

The aggregate issue of regular clearing-house certificates in the entire country during the panic of 1907 was 238 millions, or nearly three and a half times the total of 1893.

	1893	1907.
New York	\$41,490,000	\$101,060,000
Boston	11,645,000	12,595,000
Philadelphia	11,000,000	13,695,000
Baltimore	1,475,000	3,094,000
New Orleans	1,029,000	5,226,000
Pittsburg	987,000	7,445,000
Buffalo	985,000	915,000
Detroit	500,000	2,145,000
Other cities		91,878,175
Total	\$69,111,000	\$238,053,175

(B) The original purpose of clearing-house certificates, as set forth by their authors and exponents and as they were employed down to 1893, was for use in settling balances between the banks. During the panic of 1893, for the first time, clearing-house associations issued certificates in currency denominations to be used by the banks in paying their customers. Their issue, however, was practically confined to the south-eastern states.¹ In the panic of 1907 Georgia was again, as in 1893, the center for emergency circulation of this sort, what were called "clearing-house certificates" being issued in at least 21 Georgia towns; but devices of that name were also put in circulation in many other parts of the country, and not infrequently even by banks of small towns, where no clearing house had ever existed. In such cases they were issued under the auspices of temporary committees of the local banks, which accepted and held the collateral offered to guarantee their redemption. In Douglas, Georgia, for instance, a town with an estimated population

¹ See Warner, *op cit*, p. 6

of 2,500, \$50,000 in these so-called "clearing-house certificates" were issued; in Tifton, Georgia, with less than 3,000 inhabitants, \$50,000 in certificates were also issued; in South Boston, Virginia, with less than 4,000 inhabitants, an issue of as much as \$100,000 in certificates was made; even in Bishop, Georgia, with only 400 inhabitants, a limited amount were issued.

These small certificates, like the large ones, were secured by collateral deposited with the clearing-house committee, and were practically guaranteed by all of the associated banks, in that these banks agreed to accept them at par for the sum named. The description of collateral in most cases was a general affirmation that "this certificate is secured by the deposit of approved securities." But sometimes there was more detail, as in Portland, Oregon, where it was asserted that the banks have deposited "notes, bills of exchange, and other negotiable instruments secured by wheat, grain, canned fish, lumber actually sold, and other marketable products, and bonds approved by the committee," etc.; or in the case of Charleston, South Carolina, where there were said to be deposited "securities of double the value of this certificate, or bonds of the United States or of the state of South Carolina, or of city of Charleston, or of the city of Columbia, ten per cent. in excess thereof"; or in Danville, Virginia, where the payment of the certificate was "secured by the combined capital of these banks, also by collateral worth one-third more than all of the certificates issued." Sometimes redemption was promised on demand "in exchange" (Topeka, Kansas) or "in clearing-house funds" (Spokane, Washington). Sometimes the certificates were made payable "on or before three months from date" (Des Moines, Iowa), or on or before some special date, like April 1, 1908 (Seattle, Washington), or July 1, 1908 (Knoxville, Tennessee). The certificates is-

issued by the clearing house in Las Vegas, New Mexico, (Sample No. 7), were frankly to be paid only "when deemed advisable by the Board of Directors." Those of the associated banks of Howard County, Indiana (Sample No. 8), announced that "due notice of redemption will be given through the daily papers." Many of the certificates were elaborately engraved (note reverse of San Francisco certificate), and were shaped and colored so as to resemble ordinary bank or government notes. In denomination they usually ranged from \$1 to \$20, but in some cases, as in Montgomery, Alabama (Sample No. 6), they were issued for convenient sums all the way from 25c. to \$50.

The compilation here presented, tho very incomplete, records an issue of \$23,831,813 of such devices in the course of the panic of 1907.

(C) Identical with these certificates in character and function, tho differing in form, were the clearing-house checks issued in a number of cities. Like the certificates, they were issued by the associations to member banks upon the deposit of approved securities. Like them, they were accepted for deposit in any of the banks, but were payable only through the clearing house. They were also in currency denominations, and were often quite as elaborately engraved, so as to resemble currency. The one peculiarity which distinguished them from certificates was that, instead of merely certifying indebtedness on the part of the clearing-house association, they took the form of checks drawn upon particular banks, and signed by the manager of the clearing house. In Chicago a bank desiring such checks deposited with the clearing house a corresponding amount of the ordinary loan certificates of large denominations, and received the checks in currency denominations in exchange. They were also issued in Cleveland, Milwaukee, Youngstown, South Bend, and

some smaller cities (Samples Nos. 9, 10). Our record includes \$12,060,248 of such issues.

(D) In spite of the provision of the National Bank Act, that no national banking association shall issue "any other notes to circulate as money than such as are authorized by the provisions of this title," a large number of national banks issued what were practically circulating notes in the form of cashier's checks in convenient denominations. In spite also of the 10 per cent. tax upon any notes issued by state banks, similar devices were issued freely and without hindrance by some of those institutions as well (*e.g.*, in Superior, Wisconsin). These checks usually purported to be "payable to bearer," but they were "payable only through the clearing house," or "in exchange," or, as the phrase sometimes went, "in clearing-house funds." Occasionally, an apparent effort was made to circumvent their illegality by making them payable to a supposed person. In St. Louis, Missouri (Sample No. 12), and in Muskogee, Oklahoma, they were made payable to "John Smith, or bearer," and in Memphis, Tennessee (Sample No. 13), to "Richard Roe, or bearer." While in the south-eastern states it was common for the banks in the small towns to issue conjointly what they called "clearing-house certificates," in small towns of the Middle West the "cashier's checks" of individual banks were much more common. We reproduce on another page such a check in two-dollar denomination, payable "in exchange," from New Carlisle, Indiana (Sample No. 14), a town of less than 600 inhabitants. Sometimes these cashiers' checks, like clearing-house certificates and clearing-house checks, were secured by the deposit of approved collateral with a committee of the clearing house, as, for example, in Denver, Colorado (Sample No. 11), Omaha, Nebraska, and Birmingham, Alabama. In Richmond, Virginia (Sample No. 15), cashier's checks of a peculiar sort called

"bank money orders" were prepared and printed by one institution, the American National Bank, but were never actually issued. They optimistically declared upon their face that they were "good anywhere at any time, transferable as many times as desired," and "payable anywhere in the United States."

(E) Another variety of currency issued during the panic were the New York drafts in denominations of \$1 and upward, issued by the banks of Birmingham, Alabama, and which were used for pay-rolls and general circulation in that locality (Sample No. 16). They were really cashiers' checks drawn on New York, but were drawn against actual balances held by particular New York correspondents. They were payable through the New York clearing house, and were not otherwise secured, yet they appear to have circulated in and about Birmingham to the extent of millions of dollars without difficulty. The use of drafts upon reserve banks as currency appears to have been peculiar to Birmingham, altho the cashiers' checks "payable in exchange," issued in many places, were not substantially unlike.

(F) In a few instances the currency issued by the banks took the form of negotiable certificates of deposit in convenient denominations. Sometimes these certificates asserted that a particular person or company had made the deposit, as in the case of the bank of Winston-Salem, North Carolina. Sometimes the assertion was altogether general, as in the example from Berkeley, California (Samples Nos. 17, 18). In some cases they bore interest, and were payable after the expiration of a certain period: in others they were immediately acceptable by the issuing bank through the clearing house, and in such cases they bore no interest.

Of the issues of currency made by individual banks (D, E, F) I have only been able to obtain figures from a

few cities. They reach a total of \$13,541,500, but issues of that sort in the entire country would unquestionably build an aggregate several times this amount.

(G) Last of all among the emergency devices were the pay checks payable to bearer drawn by bank customers upon their banks in currency denominations and used in all parts of the country in payment of wages and in settlement of other commercial obligations. These checks were generally "payable only through the clearing house," but they differed from those which have as yet been considered, in that they were not a liability of the clearing-house association or of the bank on which they were drawn, but of the firm or corporation for whose benefit they were issued.

The pay-check system reached its largest development in Pittsburg, where during the panic some \$47,000,000 were issued, much of which was in denominations of \$1 and \$2. Their issue involved much more labor to the clearing house, to the banks, and to corporations using them than the issue of clearing-house checks would have caused, for most of them were rushed back to the bank within a week or ten days, and new checks had to be issued in their stead.¹ It was claimed that a fifth as many certificates

¹ It is believed that about \$10,000,000 in clearing-house checks for continuous circulation would have answered all purposes, and would have saved much labor. When the pay-check clearances were at their height, many extra clerks were added to the regular forces of the clearing-house banks, and working until ten o'clock at night was not infrequent on Tuesdays, Wednesdays, and Thursdays, when the pay checks came in by the basketfuls.

During the height of the pay-check distribution some of the larger banks would receive from \$500,000 to \$700,000 worth of checks a day, including the amounts drawn on them and from the banks for which they clear. A few of the banks had from twelve to fifteen men sorting the pay checks, and separate quarters had to be provided for the work. The number of checks was very materially increased when the clearing house decided to issue the \$1 and \$2 checks, but after the third or fourth week the number of checks showed a marked falling off. The offices of large corporations were also very busy places before pay-days, as all the checks had to be signed. Some clerks could sign 400 to 500 checks in eight hours, and the amount of men required and the labor involved in issuing from 30,000 to 40,000 checks twice a month can be appreciated. Special Correspondence from Pittsburg to the *Evening Post*, New York, January 16, 1908.

for continuous circulation would have answered the same purposes, and would have saved much labor.

Pay checks were also issued by railroads, mining companies, manufacturers, and store-keepers in a large number of other cities. Shops and stores and places of amusement in the neighborhood of their issue generally accepted them, and it is, indeed, surprising, considering their variety, their liability to counterfeit, and their general lack of security, how little real difficulty was experienced in getting them to circulate in lieu of cash (Samples Nos. 19-24). Of these issues, whose total, doubtless, ran into the hundred millions, we have no statistical data whatever, except for the estimate in the case of Pittsburg.

So far as one can judge, the banks of the country have never in previous panics suspended payments with quite the same simultaneity as in 1907. In 1873 suspensions were at first confined to the banks of New York City, and, after an interval, "extended to other large cities, because the New York banks could not respond to the demands of their correspondents in those cities, and these, in turn, could not respond to the demands of their correspondents."¹ In 1893 the interior banks got into trouble first, and sporadic failures, multiplying here and there, gradually forced other banks, and finally the New York banks, to a temporary restriction of payments.² But in 1907 suspension occurred with considerable unanimity throughout the whole United States, and in many localities was adopted as a precautionary measure before any significant runs had been made upon the banks concerned.

The banks of New York City determined upon the issue of their clearing-house loan certificates on Saturday,

¹ Report of the Comptroller of the Currency, 1873.

² Evening Post, New York, April 4, 1908.

October 26, and on the following Monday, October 28, the associated banks of many other cities in all parts of the country followed their example. In several places, however, conditions hung fire for a couple of weeks, and substitutes for cash were not instituted until the week beginning November 11. This was the case in such widely separated cities as Charleston, S.C., Dallas, Tex., Canton, O., Council Bluffs, Ia., Joliet, Ill., Lexington, Ky., Harrisburg and Easton, Penn., and Topeka, Kan. In Cleveland, O., cash substitutes were not resorted to until more than a month after the outbreak of the panic, not, in fact, until December 3, but this was altogether exceptional.

The date of retirement given in the tables is neither exact nor uniform. In cities where banks to which loan certificates were issued failed during the panic, such certificates may have remained uncanceled long after the certificates of solvent banks had been taken up and retired. In cities also where the certificates and checks entered the general circulation and became scattered over wide territory, some may have remained outstanding for a considerable time after the notice of retirement was published. In fact, small amounts, lost or destroyed or taken by collectors, may never be presented for redemption. Some of the replies here tabulated indicate the date when the banks ceased paying out the devices or gave notice of their retirement; others represent the time when substantially all of the certificates and checks of solvent banks had been retired; only in a few cases do they record the time when the entire amount had been redeemed.

It is, perhaps, worthy of record in this connection that in New York the time elapsing between the first issue and the date of final cancellation of the certificates was twenty-two weeks, or three weeks longer than in the crisis of 1893. In Pittsburg, Los Angeles, and New Orleans the emer-

gency currency was outstanding also for about five months; but such duration was clearly exceptional. In most places the notes and certificates were rapidly retired soon after the beginning of the new year; *i.e.*, within eight or ten weeks after the date of their first issue.

Surveying the record as a whole, we have here definite figures for 334 millions of emergency currency issued during the panic of 1907, classified as follows:—

Clearing-house certificates (large)	\$238 million.
Clearing-house certificates (small)	23 “
“ “ checks	12 “
Cashiers' checks	14 “
Manufacturers' pay checks	47 “
Total	\$334 “

Making a very moderate allowance for the cashiers' checks and pay checks issued in cities from which their amounts have not been reported, including many of the largest cities like New York and Philadelphia, we may safely place an estimate of the total issue of substitutes for cash above 500 millions. For two months or more these devices furnished the principal means of payment for the greater part of the country, passing almost as freely as greenbacks or bank-notes from hand to hand and from one locality to another. The San Francisco certificates, for instance, circulated, not only in California, but in Nevada and in south-eastern Oregon, some reaching as far east as Philadelphia, some as far west as the Hawaiian Islands. The banks of Pittsburg, on the other hand, reported remittances of certificates and checks, in denominations ranging from \$1 up, from as scattered localities as Cleveland, Cincinnati, St. Louis, Chicago, Milwaukee, Duluth, Philadelphia, Danville, Va., and Spokane. Most of this currency was

illegal, but no one thought of prosecuting or interfering with its issuers. Much of it was subject to a 10 per cent. tax, but no one thought of collecting the tax. As practically all of it bore the words "payable only through the clearing house," its holders could not demand payment for it in cash. In plain language it was an inconvertible paper money issued without the sanction of law, an anachronism in our time, yet necessitated by conditions for which our banking laws did not provide. During the period of apprehension, when banks were being run upon and legal money had disappeared in hoards, in default of any legal means of relief, it worked effectively and doubtless prevented multitudes of bankruptcies which otherwise would have occurred.

A. PIATT ANDREW.